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MEMORANDUM FOR: Deputy Director Central Intelligence

VIA: Deputy Director (Plans)

SUBJECT: Extension of CAT Operation From Hong Kong into Saigon and Beyond

This memorandum contains a recommendation submitted for EDCI approval. Such recommendation is contained in paragraph six.

1. Problem: Securing 5th Freedom Traffic Rights for CAT at Saigon.

2. Assumption: That it is operationally desirable for CAT as a CIA asset to operate a commercial airline schedule into and through Saigon, South Vietnam.

3. Facts Bearing on the Problem:

a. The Government of South Vietnam has granted 3rd and 4th Freedom Rights to CAT between Saigon and Taipei.

b. The British Government in Hong Kong has indicated their willingness to extend traffic rights south of Hong Kong to CAT in exchange for the granting of traffic rights to Hong Kong Airways by the Chinese Nationalist Government north of Taipei.

c. CAT is desirous of operating a commercial schedule into Saigon using Hong Kong as an intermediate point, with the possibility of later operating a commercial schedule through Saigon to Bangkok.

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d. CAT has presented a request to the Government of South Vietnam for the granting of 5th Freedom Rights in Saigon which was refused. The basis of the refusal was not stated but it is believed that the political situation vis-a-vis South Vietnam and the Republic of China and the competition CAT would offer Air Vietnam and Air France are major factors.

4. Discussion:

a. It is felt that an extension of CAT's commercial operation into Saigon and eventually into Bangkok would have the following advantages to the Agency and the U. S. Government:

(1) Strengthen the overall cover of the airline in the area.

(2) Provide justification for the expansion of CAT stations in Saigon and Bangkok thus providing

(3) Increase the prestige and influence of the Chinese Nationalists in Southeast Asia in conformity with U. S. foreign policy.

(4) Provide additional revenue from commercial airline operations on a route not competitive with any U. S. Carrier thus reducing the overall cost of CAT to the U. S. Government. A route not including traffic rights over the Saigon-Hong Kong segment could not develop sufficient load to justify the operation.

b. In order to bring about a reversal of the position of the Government of South Vietnam on the issue of granting 5th Freedom Rights to CAT, it is suggested that representatives of the U. S. diplomatic mission to South Vietnam present a case to the Vietnamese Government for the granting of these rights. The basis for this presentation could take advantage of the fact that the Vietnamese have already granted 4th Freedom Rights thus establishing political acceptability and that the U. S. Government is vitally interested in cementing the relationship of the Chinese and Vietnamese to a further extent.

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c. The approach should be phrased so as not to reveal the U. S. Government/CAT relationship.

5. Conclusions:

a. That the Chief Executive Officer of CAT accompanied by representatives of the Far East Division contact the members of the State Department concerned to discuss the approach to the Vietnamese Government and issue appropriate instructions.

b. That the [redacted] be instructed to brief the U. S. Ambassador to South Vietnam on the CIA/CAT relationship.

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6. Action Recommended:

a. Affirmation that the extension of CAT's commercial operation into Saigon is operationally desirable.

b. Authorization to present this position to the State Department and solicit their cooperation.

[redacted]

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Chief, Far East Division

CONCUR:

/S/ Richard Helms
For

APR 1 1957

Deputy Director (Plans) Date

(signed) H. Gates Lloyd APR 8 1957

Deputy Director (Support) Date

The recommendation contained in paragraph six is approved:

SIGNED

Deputy Director Central Intelligence

8 APR 1957

DDP/FE [redacted] /ww(28Mar57)

Date

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